DOCUMENT RESUME

ED 292 979 CE 049 908

AUTHOR	Sheets, Robert; And Others
TITLE	Who Will Train and Educate Tomorrow's Workers? The Financing of Non-College-Bound Young Workers' Recurrent Education.
INSTITUTION	William T. Grant Foundation, Washington, DC. Commission on Work, Family, and Citizenship.
SPONS AGENCY	Ford Foundation, New York, N.Y.
PUB DATE	Mar 88
NOTE	52p.; A product of Youth and America's Future. For other papers in this series, see CE 049 906-912 and CE 049 914.
AVAILABLE FROM	Institute for Educational Leadership, 1001 Connecticut Avenue, NW, Suite 310, Washington, DC 20036-5541 ($10.00).
PUB TYPE	Reports - Evaluative/Feasibility (142)
EDRS PRICE	MF01/PC03 Plus Postage.
DESCRIPTORS	*Business Responsibility; Corporate Education; Educational Finance; Educational Policy; *Financial Support; Fringe Benefits; *Government Role; Lifelong Learning; *Noncollege Bound Students; Policy Formation; Postsecondary Education; *Public Policy; *Retraining; Student Financial Aid

ABSTRACT

The idea of developing a recurrent education system for noncollege-bound youth is not new. Yet, the issue has generally attracted little attention. In the United States, the general trend has been to direct resources toward providing wide access to a college education and underemphasizing education and training for noncollege-bound youth. If private employers would take up the slack in providing postsecondary training and education to noncollege-bound youth, the limited public role might not be a serious concern. Unfortunately, however, moderate- and low-skilled young workers receive little or no training from their employers. This in turn has a negative impact on the work force as a whole as well as America's ability to generate good jobs and workers' abilities to adapt to displacement. One obvious way of improving the situation is to make significant improvements in the education and training effectiveness of high schools. Of course, this is more easily said than done. More realistic and workable strategies include redirecting and extending private sector investment in training; establishing a government financing floor; encouraging multiple access and redundancy; and encouraging local initiative, flexibility, and control. Specific proposals for financing recurrent education through private financing approaches include developing worker savings plans and manipulating employee benefit programs. Public financing options include taking a national service, individual entitlement, and/or enrollment subsidy approach. (MN)

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Who Will Train and Educate Tomorrow's Workers?

The Financing of Non-College-Bound Young Workers' Recurrent Education

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Youth and America's Future:
The William T. Grant Foundation Commission on Work, Family and Citizenship

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YOUTH AND AMERICA'S FUTURE:
THE WILLIAM T. GRANT FOUNDATION COMMISSION ON WORK, FAMILY AND CITIZENSHIP

When William Thomas Grant established the Grant Foundation in 1936, he sought a better understanding of the ways in which individuals adapt to the vicissitudes of life. Touched in his professional life by the importance of good human relationships, Mr. Grant wished to "help children develop what is in them" so they would better "enjoy all the good things the world has to offer them."

Fifty years later, recognizing the special needs of older adolescents in our changing society, the Foundation's Trustees established **Youth and America's Future** with much the same purpose; its charge is to evaluate current knowledge, stimulate new ideas, increase communication among researchers, practitioners and policymakers, and, thus, to help our nation chart a better future for youth.

The Foundation's President, Robert J. Haggerty, M.D., has described the Commission's unique perspective:

"Against a rising chorus of legitimate concern about the many problems facing today's youth, the Foundation has initiated this Commission on Youth and America's Future to speak in a different voice. It will explore the strengths of America's young men and women, their famlilies and the programs and community institutions that serve them. We adopt this approach not to diminish the importance of the problems that exist, but to learn the lessons of success. The Foundation is confident that this effort to look with renewed respect at youth, where it strides as well as where it stumbles, will help forge the links of understanding and mutual responsibility that make our democracy strong."

The publications in this series have been prepared to inform the Commission and to stimulate its thinking. While the Commission does not necessarily endorse the various findings presented, it does encourage their thoughtful consideration in the interests of American youth.

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WHO WILL TRAIN AND EDUCATE TOMORROW'S WORKERS?
The Financing of Non-College-Bound Young Workers' Recurrent Education

Robert Sheets, Robert Lerman, Andrew Hahn, and Erik Butler

This paper was prepared for the Commission by **Robert Sheets** of the Center for Governmental Studies, Northern Illinois University and **Robert Lerman, Andrew Hahn,** and **Erik Butler** of the Heller Graduate School at Brandeis University. It draws on primary research partially supported by the Ford Foundation.

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March 1988

WHO WILL TRAIN AND EDUCATE TOMORROW'S WORKERS?
The Financing of Non-College Bound Young Workers' Recurrent Education

Robert Sheets, Robert Lerman, Andrew Hahn and Erik Butler

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EXECUTIVE SUMMARY

The idea of developing a recurrent education system for non-college youth is not new. Yet, in spite of occasional discussion of expanded post-secondary educational options, the issue has generally attracted little public attention. Now, given the emerging problems of international competitiveness and the potential decline in the middle class, policymakers, and the public may begin to take greater notice of the important gap in our education and training system.

In the paper, Who Will Train and Educate Tomorrow's Workers?, the authors' primary goal is to reiterate that the development of a recurrent education system is a high priority and to suggest practical ways of financing components that deliver education and training to non-college youth.

A close look at the American educational system reveals considerable strengths as well as weaknesses. The top college and graduate students are at least as well-educated and talented as high quality students anywhere the world. The American system also offers continuing and wideranging chances for students to gain access to higher education. Unlike many other industrial countries, which track students into a college stream or away from college at early ages, the U.S. allows students to enter the college path even after doing poorly at earlier stages of their schooling.

Unfortunately, the very success of the U.S. in providing wide access to a college education has contributed to an underemphasis on education and training for non-college youth. These young people learn too little in high schools to cope with the increases in the skill requirements for good jobs. After leaving high school and entering the work force, most have little or no access to post-secondary education. Of the young people who do not attend college, only those with the most severe labor market and family income disadvantages have access to publicly-funded

education and training.

If private employers took up the slack in providing post-secondary training and education to non-college youth, the limited public role might not be a serious concern. Unfortunately, the evidence suggests that moderate and low skilled young workers receive little or no training form their employers. As a result, the quality of the work force suffers and, consequently; so does the country's ability to generate good jobs and the worker's ability to adapt to displacement.

The authors suggest that one obvious way to mitigate these difficulties is to improve significantly the education and training effectiveness of high schools. If young people left high schools with the tools to become and remain highly productive workers, then the limited opportunities for post-secondary education would be less critical. Achieving such improvements, however, might require schools to undertake more explicit tracking at an earlier age and provide youth who are not college-bound with serious job-related training and experience with employers. The difficulty with this approach is that it runs counter to the goal of assuring wide access (including to "late-bloomers") to college education.

Assuming the country rejects shifts toward the early tracking that operates in other industrial countries, improving the skills and capacities of young non-college work will require expanded post-secondary education. A key purpose of this paper is to present alternative methods of structuring and financing a recurrent education system.

The paper examines the prospects of young workers and points out that the problem of low earnings potential extends beyond the minority and economically disadvantaged population. Next, current levels of funding for post-secondary education and training are described along with the sharp tilt in public subsidies toward colleges and universities.

A number of possible approaches to financing recurrent education and training for non-college youth are presented including public and private schemes aimed at raising the quality of the work force and the opportunity of non-college youth to earn good wages. Some of the initiatives described are: worker saving approaches, such as individual training accounts; manipulation of employee benefit structures to respond to young workers; national service; individual entitlements; enrollment subsidies. Finally, the authors pose a number of areas of research where a sound knowledge base has yet to be developed.

Introduction

Improving the education and training of young workers has become a central issue in the United States because of two main concerns. The primary worry is that inadequate training will weaken the ability of the U.S. to compete effectively in an increasingly interdependent world market. A related worry is that educational and competitive deficiencies will increase income inequality and contribute to the erosion of the middle class.

A close look at the American educational system reveals considerable strengths as well as weaknesses. The top college and graduate students are at least as well-educated and talented as high quality students anywhere the world. The American system also offers continuing and wide-ranging chances for students to gain access to higher education. Unlike many other industrial countries which track students into a college stream or away from college at early ages, the U.S. allows students to enter the college path even after doing poorly at earlier stages of their schooling.

Unfortunately, the very success of the U.S. in providing wide access to a college education has contributed to an underemphasis on education and training for non-college youth. These young people learn too little in high schools to cope with the increases in the skill requirements for good jobs. After leaving high school and entering the work force, most have little or no access to post-secondary training. In part, this is due to the fact that public funds for post-secondary education and training go mostly to colleges and universities. Of the young people who do not attend college, only those with the most severe labor market and family income disadvantages have access to publicly-funded education and training.

If private employers took up the slack in providing post-secondary training and education to non-college youth, the limited public role might not be a serious

concern. Unfortunately, the evidence suggests that moderate and low skilled young workers receive little or no training from their employers. As a result, the quality of the work force suffers and with it, so does the country's ability to generate good jobs and the worker's ability to adapt to displacement. One way to mitigate these difficulties is to improve significantly the education and training effectiveness of high schools. If young people left high schools with the tools to become and remain highly productive workers, then the limited opportunities for post-secondary education would be less critical. Achieving such improvements might require schools to undertake more explicit tracking at an earlier age and provide youth who are not college-bound with serious job-related training and experience with employers. The difficulty with this approach is that it runs counter to the goal of assuring wide access (including to "late-bloomers") to college education.

Assuming the country rejects shifts toward the early tracking that operates in other industrial countries, improving the skills and capacities of young non-college educated workers will require expanded post-secondary education. A key purpose of this paper is to present alternative methods of structuring and financing a recurrent education system.

Part I examines the prospects of young workers and points out that the problem of low earnings potential extends beyond the minority and economically disadvantaged population. In Part II, we describe the current levels of funding for post-secondary education and training and document the sharp tilt toward colleges and universities. Part III presents guidelines for financing a recurrent education system. Part IV discusses a number of possible approaches to finance recurrent education and training for non-college youth. We consider both public and private schemes aimed at raising the quality of the work force and the opportunity of non-college youth to earn good wages.

PART I

Connections Between Labor Market Problems of Poor and Non-College Workers

How to improve the job prospects of poor, young workers has been a central concern for policymakers since the beginning of the War on Poverty in 1964. Among the key Great Society programs begun in the mid-1960s were the Job Corps, the Neighborhood Youth Corps, federal funding for elementary and secondary education, and scholarship and loan programs to assist low-income youth to attend college. Since then, Congress funded additional programs aimed at providing jobs to unemployed youth and at improving the career outcomes of low-income and black youth.

Despite these efforts, many black and low-income youth from the cohorts affected by these programs experienced high rates of unemployment and low wages. In October 1987, 23 of every 100 black 25-29 year-old men were either unemployed or not in the labor force; only 8 out of 100 white men in this age group were not employed.

The indicators show no reason for optimism concerning the current cohort of low income youth.

- In early 1985, nearly one out of every five teenagers was living in a family with an income below the poverty line, and nearly three out of every ten came from poor or near-poor families. These youth--estimated at 2.8 million -- are much more likely to be unemployed (33%) than the teenage group as a whole (19%). One in four dropouts age 16-24 was unemployed in 1985.

- Each year 1.2 million American teens become pregnant and nearly equal numbers give birth to children as have abortions. Four out of five girls who become pregnant in high school drop out as compared to less than 10% of those who are childless. Teenage motherhood leads to greatly reduced employment opportunities. Past research has clearly shown that, young women who have given birth in their teens rarely attain the high-paying, more satisfying jobs obtained by counterparts who delayed childbearing.

One reason for the limited impact of income-targeted youth programs is the difficult labor market situation of non-college youth in general. The presumption behind investment-oriented youth programs was that, if the poorest youth could just become as attractive to employers as lower middle class youth, they would achieve adequate earnings. But, what if the typical young worker with no more than a high school education also experiences unstable employment and low wages? What if the structure of jobs severely limits their earnings? If those on the next rung of the ladder cannot obtain good jobs, how effective will be marginal improvements in the capacities of those on the bottom rung?

Current programs try to turn the poorest, least educated youth into workers with the typical skills of non-college youth. Success requires considerable effort on the part of participants. But will poor youth expend such effort if the jobs available to non-college youth are unattractive? Many become discouraged and fail to do the work necessary to reach the next level of skills and thus do not achieve even the self-sufficiency of the typical high school graduate.[1]

Thus, an important obstacle to effective programs for the poorest youth is the immobility of other young, non-college workers. Yet, educational and youth policymakers devote little attention to the job prospects of the average high school graduate. Young people who do not attend college receive too little counseling, training, and involvement in career-oriented jobs. They spend their early years in the labor market looking for work and moving between jobs. Close family or personal connections help many obtain good jobs, but even those workers often lack the skills to maintain a career in the face of a factory closing or similar

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[1] To the extent the programs succeed, they expand the supply of young workers with only a high school education and tend to lower the wages of untrained non-college youth. While the poorest youth benefit from moving up the job ladder, the increased supply of workers in this market segment weakens further the appeal of jobs for non-college youth.

displacement. Often, workers with a only high school education cannot get started on a good-paying career.

Over the last decade, employment and earnings of non-college youth have worsened relative to young workers with a college education. Consider, for example, the median income of all 25-34 year-old men and the change in median income from 1973 to 1985. Table 1 shows that a typical male with less than a high school degree earned $11,950 in 1985, down 38.2% from 1973. In contrast, college graduates earned $25,561, or twice as much, and experienced only a 5% decline in median income for 1973 to 1984.

Table 1 shows an unprecedented erosion in wages among young men with low educational levels. Although some young men without a college education are

Table 1

Median Income of All 25-34 Year Old Men, Classified By Level of Education: 1973, 1985 (in 1985 dollars)

Education	1973	1985	% change
1-3 Year of High School	$19,332	$11,950	-38.2%
4 Years of High School	$23,233	$16,981	-26.9%
4 Years of College	$26,879	$25,561	-4.9%

(inflation adjustment using Personal Consumption Expenditure deflator)

Source: Bureau of the Census, P-60 series, and Bureau of Economic Analysis, Survey of Current Business

unemployed, an even larger number become crowded into a narrow range of jobs that pay too little to bring families above the poverty line and that provide

inadequate opportunities for mobility. These jobs usually lack internal labor markets with extensive job ladders and advancement opportunities within the firm. Low upward mobility and high turnover limit the earnings gains and career advancement of workers in these jobs. These patterns result in part from the instability of employment opportunities and the low job entry and training requirements. Most important for the present analysis, secondary jobs provide few incentives for the employer and employee to invest heavily in general education or job-specific training.

Apparently, the problem of low wage employment affects young workers of all races. The National Academy of Sciences published figures similar to those in Table 1 showing that over time, the relative decline in earnings of young working men was greater for white than nonwhite youths. (Betsey et al, 1985). Most youth, then, are employed in a narrow range of "youth jobs" within secondary job markets with employers who do not have the resources or direct economic interest to provide them with meaningful educational and training opportunities. In a job market where the median duration of employment for youth between 16 and 19 is seven months, and only fourteen months for youth between 20 and 25, opportunities for gaining meaningful work experience and developing critical job skills are limited.

For college-bound youth, short-term jobs are a convenient way to supplement government and parental support for tuition, living expenses, and leisure spending. The absence of training is unimportant to these youth because they will choose a different career once they leave college. However, for non-college youth entering the full-time job market, learning on-the-job is crucial for their ability to attain upward mobility over their lifetimes.

Limited educational preparation also hampers workers displaced from good manufacturing jobs. Non-college workers with highly specific skills are least likely

to find new jobs that pay as much or more than their previous jobs. Thus, both in terms of new entrants and in terms of long-term workers, non-college workers are facing a increasingly difficult labor market.

Will The Problem Go Away?

Will the changing demographics diminish the problem of poor job prospects for non-college youth? The Bureau of Labor Statistics projects the number of 20-24 year-olds in the labor force to drop from the 1984 level of 24 million to 21 million in 1990 and 20 million by 1995. By the year 2000, the number of young people in the work force is projected to be the same as it was in 1973, yet the economy is expected to be at least twice as large. As a consequence, employers will compete aggressively with the military and colleges for young people.

Is this good news? Generally yes, but even the decline in young workers may not improve job prospects for non-college youth. Rather, the increased demand may be channelled toward the college-educated or may produce inflationary pressures and bottlenecks because of the scarcity of well-trained non-college youth. Limited progress for high school graduates will leave the school dropout, or teenage parent, or long-term jobless welfare recipient in low wage jobs if he or she does not possess the skills employers seek.

Moreover, as the general labor force acquires more schooling, the employment prospects for those at the bottom of the ladder--even those holding jobs--worsen. In short, they may be less likely, not more likely to obtain promising jobs.

Pressures for Government to Assist Underemployed Youth

Although the school-to-work problems of disadvantaged youth demand increased public attention, it is critical to address their problems as part of a public

imperative to improve the employment and earnings opportunities for *all* non-college bound youth. In order to improve American productivity and develop an adaptable, well-trained work force, we must make substantial improvements in the system for preparing non-college youth for the labor market. Compared with the U.S., Germany and Japan educate a much lower proportion of their young people in colleges. Yet, both countries devote sustained efforts to training and preparing non-college youth for careers.

Pressure for developing a second chance and recurrent education system may come from the realization that American competitiveness and productivity are ultimately dependent on the skills and training of non-college youth. As argued by Lester Thurow in The Zero Sum Solution, no matter how much public investment goes into managerial and professional workers, the American economy will not improve significantly if based solely on the skills of only the one-half of the work force who enter college and the one-third who eventually graduate. The current American system of informal, on-the-job training, supported with limited apprenticeship and adult education opportunities, is inadequate. New concerns over the continual training and upgrading of America's executives and professionals must be matched with an equal commitment to the continual development and upgrading of non-college youth.

In recent decades, the substantial rise in the share of American workers taking part in post-secondary education and training has left behind workers in the middle and bottom segments of job market. The percentage of youth enrolling in college has grown dramatically; about 1 in 4 workers now hold a college degree. The proportion of adults in part-time education and training doubled over the last decades (Office of Technology Assessment, 1986). Some analysts have heralded these trends as evidence that education and training are quickly becoming an

integral part of working life, helping workers adapt to changing job conditions and skill requirements, to obtain promotions within companies, and to change occupations and careers in response to structural shifts in the economy. However, most of these increases in worker upgrading and retraining have been concentrated among upper-and middle-income white-collar workers. Both public and private investment have yet to fully reach the other two-thirds of the American labor force.

The changing industry structure of the U.S. economy has crowded many young workers into low-wage unskilled jobs in the service sector. Stanback et al. (1981) and Stanback and Noyelle (1982) argue that the service sector is creating a bifurcated job market in major metropolitan areas, with high concentrations of both high skill management and professional occupations and unskilled sales, clerical, service occupations. The seven occupational groups experiencing the highest growth in absolute numbers and employing a large numbers of youth in major metropolitan areas are janitors, nurses' aides, sales clerks, cashiers, waiters/waitresses, office clerks and secretaries, food preparation and service workers, kitchen helpers, security guards, and general laborers. These occupational groups are all characterized by low wages and limited advancement and career opportunities. These trends are likely to continue unless new institutional arrangements provide the training that can build alternative career and mobility paths for non-college youth.

In summary, the employment problems of low income and minority youth are only one manifestation of a broad deficiency in the job market preparation for non-college bound youth. Unlike secondary schools in Japan and Germany, high schools in the U.S. have not developed effective apprenticeship and job-based education for youth not going to college. In part, this is because of a reluctance to track

students at an early age and to preserve the idea that late-bloomers still have a chance to overcome early difficulties and go to college. Maintaining an approach that delays channeling youth into occupational streams may promote potential mobility and avoids robbing workers of their youth. But the cost is that many youth do not receive serious job-oriented education and training that can significantly improve the quality of their later lives.

If achieving the necessary improvement in skills among non-college youth cannot be accomplished within existing high schools, then we must turn to post-secondary activities within firms, schools and training units. In Part III of this paper, we explore a number of financing options for developing these activities.

PART II

Public and Private Expenditures on Post-Secondary Education and Training

Government Expenditures: Who Gets What?

The United States has built a system of post-secondary education based largely on college and universities. In general, these institutions train the top 40 percent of students. Federal programs also provide small amounts of resources for post-secondary education to train young, low income workers, many of whom have completely dropped out of the labor force. Currently, however, the country lacks a comprehensive system for the education and training of the broad spectrum of non-college bound students. Under the current system, education and training are preludes to initial entrance into the labor market, not an integral part of labor market activity throughout one's working life (Barton, 1981; Levin, 1981).

The largest share of direct government expenditure for post-secondary education goes to support higher education institutions and the students attending them. In 1984, the federal government spent $8.7 billion on grants and $8.6 billion on loans to assist students in colleges and universities.[2] State and local governments paid about $40 billion to support post-secondary institutions and students. On a per-student basis, government subsidies amounted to over $4,000 per year.

Although most student grants and loans are targeted at poor and middle-income students, the requirement that students have at least half-time enrollment excludes many potential students who must combine education and work after leaving high school. There are some exceptions. The Supplemental Educational Opportunity

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[2] About 2.9 million students received Pell Grants in 1984-1985 with about 75% of these loans going to students whose family incomes were $15,000 or less. About 3.3 million guaranteed student loans were issued in FY 1984 resulting in about $7.5 billion in borrowed capital.

Grants and College Work Study programs allow up to 10% of funds to be allocated to part-time students enrolled for less than half-time. However, few schools actually reach this 10% ceiling.

These expenditure patterns have led the Office of Technology Assessment (1986) to conclude that very little of the over $17 billion in federal educational assistance to post-secondary students is available for the continual education and upgrading of employed workers in the U.S. Other monies for worker upgrading are far less than the amounts available for college education. In 1985, state educational agencies and local school districts spent only about $259 million on adult education under the Adult Education Act with the federal government contributing less than $75 million (OTA, 1986). Another major program component, the Carl D. Perkins Vocational Education Act of 1984, encourages states to focus attention on targeted adult groups (e.g., dislocated workers) and improve their basic and vocational skills. This program distributed only $950 million for all vocational education programs.

The only other major federal financial commitment to post-secondary education and training is the series of employment and training programs which have been targeted toward the poor and economically disadvantaged. However, funds for these programs have been meager and subject to a very volatile funding environment.

Although the Job Training Partnership Act does focus special attention on youth (the Act mandates 40% of expenditures on youth) its structure and performance standards system emphasize programs for youth in high school and short-term vocational and on-the-job training interventions. We estimate that only a small fraction of JTPA funds, perhaps 15%, is spent on non-college bound youth who are working.

Business Expenditures - Who Gets What?

The business community in the United States probably spends more on post-secondary education and training than local, state, and federal governments combined. The exact figures for current business expenditure on education and training are difficult to identify and interpret. Some estimates consider only in-house training expenditures. Others are based only on tuition assistance programs. Still others include all programs and even the wages and salaries of workers who are currently engaged in education and training when it takes them away from their normal routines of work. A conservative estimate of expenditures on formal, in-house training and tuition aid programs probably puts business investment at between $40-60 billion per year (Training Magazine, 1985; Eurich, 1985).

The distribution of business training outlays across occupational and income groups in the U.S. has not been systematically researched. Current national statistics on adult education participation and related studies suggest that most business investment is heavily weighted toward upper- and middle-income managerial and professional employees. The substantial increase in adult educational participation in the U.S. has come largely from increased participation by managerial and professional employees. With the possible exception of a few leading corporations in the U.S., the pattern of employer-provided training and education is to focus on high level workers (OTA, 1986). White-collar workers receive three-quarters of the formal training provided by employers, though they represent only one-half of the labor force. Professional and technical workers receive twice their share. In contrast, workers who have less than a full high school education comprise only 5% of company trainees, although they represent about 23% of the work force (Carnevale and Goldstein, 1983).

Experienced Workers' Education and Training Needs

A recent survey of experienced adult workers in Illinois documents the limited training for low and medium skill workers and raises additional concerns about workers' perceptions of the efficacy of education and training (Sheets, 1987). Employer financial support for education and training varied tremendously among Illinois workers depending on occupation and size of company. Approximately 45 percent of workers reported that their employers sponsor classes at or near the work site; 50 percent reported the availability of tuition assistance through their employers for taking courses and classes on their own. But, most of this financial assistance was available only to workers in managerial and professional occupations in large companies (over 1000 employees); 85 percent of workers in these occupations in large firms reported the availability of tuition assistance programs. On the other hand, such support for training was much less common among service and production workers (17 percent) and among workers in small companies with less than 50 (25 percent).

The vast majority of workers agreed that education and training were important for doing their jobs better and getting ahead. Yet, only 9 percent of experienced workers in Illinois were actively engaged in preparing for new jobs or careers outside their current employers. When one includes training for current jobs, the survey data indicates that 39 percent actually engaged in some form of education and training in the previous year. But, this high figure for training reflects the high participation of managerial and professional employees; 65 percent of workers in these occupations obtained training.

Managerial and professional employees with incomes over $28,000 nearly all received employer financial assistance for their training; in contrast, only 50 percent of production and service workers who undertook training received financial

support from their employers.

To summarize, the training sponsored by employers mainly serves to enhances the skills of their most educated workers. Training is much less likely to take place in the occupations usually filled by non-college youth.

Private Responses to Underinvestment in Non-College-Bound Workers

Businesses have mixed economic interests in training workers (Vaughan, 1984; Thurow, 1985). Training can improve productivity and product quality. But, productivity gains are sometimes hard to capture because employees often leave the company. In the case of general training, companies are sometimes unwilling to train unskilled workers for fear of subsidizing other employers, especially those companies within their same industry. This is especially troublesome for small and medium-sized companies which often function as launching pads for young workers as they gain education and work experience and then move onto a larger company with higher wages and with better benefits and working conditions (Schiller, 1983).

Managerial and professional labor markets are highly structured and partly defined by internal management development programs within companies and recognized educational credentials necessary for entry and upward mobility. The rapid growth of management degree awards and educational certificate programs in professional associations illustrates this point. In contrast, in most other jobs, educational degrees and formal training experiences are not tied to internal job ladders and general career opportunities. Many experienced adult workers see no connection between education and training and future job advancement and earnings. Training for these workers is as much a risk as it is an investment. Because these workers lack good information and because the costs of their unemployment is partly borne by taxpayers, the social returns may well exceed the private return to

training.

Government tax policies traditionally have not been designed to support training for low and middle skill workers. Rather, they have directed federal "tax expenditures" largely to professional and managerial workers and employees in large companies. Current tax policy encourages skill upgrading and training for current jobs, but discourages retraining for different jobs or careers. When a worker undergoes training that is designed to maintain existing skills, to meet the requirements for maintaining a license to practice a profession, or to fulfill his employer's requirement to continue in a job, the costs for that training are deductible to the business and/or the worker, depending on who pays. A different situation arises for training used to prepare for another job or career, as when a welder goes to school to become an electronic technician. Under current tax policy, workers cannot deduct these education and training outlays as a business expense and, if the company pays, the expenses may be treated as personal consumption included as part of the employee's taxable income (Hovey, 1984). This definition of what training is tax deductible favors managerial and professional employees who pursue careers where upgrading and continual certification are routine expectations from the profession and the employer. It does not serve the needs of an unskilled worker who faces dislocation or non-college bound youth who want to prepare for a first career after entering the labor market.

In 1978, Congress passed a temporary provision of the IRS tax code (Section 127) to allow companies more latitude in the provision of non-taxable tuition assistance benefits. This provision was enacted to clarify many of the confusions over what types of education and training expenditures had to be counted as taxable compensation. Proponents of this provision argue that making this provision permanent would have a profound effect on lower-level employees who have

narrowly defined positions and thus cannot justify the range of educational expenditures that are available to managerial and professional employees.

Corporate surveys confirm that few of the leading national companies sponsored tuition assistance programs that benefit a broad array of employees, including those in lower-income categories (ASTD, 1986). Other studies confirm that few companies provide basic and remedial skills training for their employees (OTA, 1986; Lusterman, 1977). Proponents argue that making Section 127 a permanent tax provision would provide a long-term stable investment environment for businesses and workers to engage in the kinds of skill upgrading and retraining activities which would help make American industry more adaptable to the changing national and international economy.

Although Section 127 does provide some leading national corporations more latitude in extending their tuition assistance programs to the education and retraining needs of their lower-level employees, this temporary provision is unlikely to significantly change the overall concentration of business investment in upper- and middle-income managerial and professional employees. In summary, the combined effect of current public and private expenditure on post-secondary education and training is to concentrate investment in college-bound youth with only limited funds going to non-college-bound youth, especially young workers who first break into the labor market through unskilled jobs. Public expenditures flow to higher educational institutions and student grants and loans. Private sector investment is also targeted to these college-educated workers as they move through the labor market. Businesses invest most of their education and training dollars in managerial and professional employees (who likely begin their careers after college). In addition, current tax policies are directed at the special needs of managers and professionals who are encouraged to upgrade their skills through professional

associations and licensing boards, etc. Government tax policies and expenditures reinforce these institutional patterns. The result is that college-bound youth are able to "pyramid" both public and private subsidies for their education and training over their working lives. In contrast, non-college youth, especially lower-income youth, receive little subsidy after they leave high school unless they completely drop out of the labor force and become eligible for the limited government funds targeted at the unemployed and economically disadvantaged in so-called "second-chance programs.

PART III

GUIDELINES FOR FINANCING A RECURRENT EDUCATION SYSTEM

Recurrent education can be defined as a comprehensive strategy for post-compulsory education aimed at encouraging the integration and alternation of education, training, and work experience over the entire working life. Its purpose is to increase education, training, employment and career opportunities as well as productivity by:

- creating a long-term "investment environment" for businesses, workers, and labor market intermediaries (e.g., public schools and colleges, non-profit organizations, employment agencies); and
- making access to post-compulsory education and training a realistic option for all individuals, especially poor and disadvantaged non-college bound youth.

To succeed, such a system must integrate both private and public resources in a way that encourages increased business and worker investment and, at the same time, eliminates major financial barriers for poor, non-college youth to obtain post-compulsory education and training. The following sections discuss four design objectives for such a system.

Redirect and Extend Private Sector Investment

Most business investment in education and training concentrates on the upgrading and training of management and professional employees for their current jobs. Any improved system should encourage businesses to redirect their educational assistance programs and employee benefits systems to support job and career changes both within and between companies. To help non-college youth, such a system should encourage companies to extend educational assistance to more

non-managerial employees, especially those employees who work in jobs with only limited pay and career opportunities. The tools for such an effort utilize information dissemination strategies and tax and regulatory incentives both for companies and workers.

To generate direct business and worker investment into a recurrent education system we need:

- *Worker Investment and Utilization.* Recurrent education and training are most effective when they are undertaken voluntarily by workers who are willing to pay at least some of the costs. (If workers pay some of the costs, they will be more likely to make effective use of both privately and publicly financed benefits.)

- *Business Investment and Participation.* Direct business financial investment and participation are critical in developing a comprehensive recurrent educational system. If businesses have a financial stake in the system, they will be more active in creating career opportunities for their workers both within the company and the business community as a whole. They will also promote active and effective participation by workers and force accountability into the entire system.

Accomplishing the objective through information dissemination and financial incentives is most realistic for large corporations and employers in rapidly expanding service industries (e.g., hospitals, fast-food restaurants, department stores). These industries depend on a shrinking youth population to fill the majority of their part-time, temporary "youth" jobs; at the same time, these young workers constitute an important potential source of mid-level workers.

Establish a Government Financing Floor

Most employers that hire non-college youth do not have the direct economic interests or resources to finance the recurrent education of non-management employees. In addition, most youth are hired into low-wage, temporary jobs which traditionally have not been included under company benefit programs. Most poor youth do not have sufficient discretionary income to invest in recurrent education

and training. Thus, investment by private parties will continue to be small, especially when the economic returns are uncertain and the youth labor market is structured so as to discourage human capital investment in the early stages of work life.

Given these barriers, government should consider direct financing mechanisms (e.g., government grant programs and individual entitlement systems) to assure minimum access to young workers to some type of recurrent education and associated career and mobility opportunities. Any government grant program should be structured so as to encourage business and worker investment and ownership in the system. Like some other employer benefits, worker should cover a fraction of the costs to ensure effective utilization and accountability.

Encourage Multiple Access and Redundancy

A recurrent education system that would benefit non-college youth is best conceived not as a single government program or an assortment of educational programs offered by existing educational institutions. Rather, we should envisage a wide array of private and public initiatives which overlap and provide many different options and access points for youth as they move through the early stages of their working lives. Currently, a small number of vocational education institutions, community colleges, and special federal and state discretionary grant programs provide recurrent educational opportunities for non-college bound youth. Government grant programs which operate through established educational institutions in local communities should be encouraged to grow and provide some major component of a comprehensive recurrent education system.

However, government grant program initiatives will have only limited success if they are not complemented by a serious effort to move at least some of the

responsibility and control over educational financing away from labor market intermediaries to workers and firms. As stated above, business and worker investment increase active participation and effective utilization of benefits. The principles of individual choice and control should also be preserved in establishing a government financing floor that would insure universal access to a minimal set of recurrent educational opportunities. Individual entitlement and educational voucher systems have been proposed and tested in the U.S. They have their own unique problems (BSSR, 1982). Yet, the principle of multiple access and individual control should not be sacrificed solely on the limited experience of previous government programs.

The encouragement of business and worker investment, government grant initiatives, and a system of minimal individual entitlement can create a recurrent educational system with multiple access and individual control at the cost of substantial program duplication and overlap. First, individuals will have access to financing sources ranging from personal financing to government tax incentives, business benefit systems, and government entitlement and grant programs. Second, government grant programs and the labor market intermediaries that will be competing for business and individual investment will create redundancy and overlap in the educational delivery system. This redundancy is actually a positive feature, since it assures competition, variety, market responsiveness, flexibility, and system openness and adaptability (Landau, 1969; Rogers and Whetten, 1982).

Encourage Local Initiative, Flexibility and Control

Although a recurrent educational system for youth should become national policy and include federal resources, the system must be built from the bottom up. It must fit the structure and conditions of youth labor markets in local economies,

interest and commitment of the local business community and non-profit sector, and state and local educational policies and programmatic initiatives. For example, in growing local economies with tight youth labor markets, business financing strategies will probably be more realistic and will be able to constitute a larger share of the recurrent educational system. Government programs should not directly compete for youth and should work through the local business community to encourage changes in company training policies and benefit programs. The government should monitor programs to assure the successful integration of work experience and education for poor youth.

In declining economies with limited job opportunities for poor youth, government financing strategies may be appropriate and even necessary to maintain youth attachment and commitment to the labor market. In these settings, government grant programs and individual entitlement systems may involve government supported work experience in the non-profit sector. In either case, the development and management of any second chance or recurrent educational system should remain at the local level.

PART IV

SPECIFIC PROPOSALS FOR FINANCING RECURRENT EDUCATION

A variety of private and public financing approaches could be central components of a locally designed and managed system. This discussion presents the strengths and weaknesses of these components and suggest their possible role in a comprehensive system.

Private Financing Approaches

A Worker Savings Approach. This approach involves tax incentives to encourage businesses and/or workers to set money aside for individual workers in accounts designated for future education and training. This approach combines the concept of Individual Retirement Accounts (IRA) with the idea that education and training and work life transitions are not preludes to permanent employment, but are basic requirements for maintaining adequate employment for all workers across their working lives. Thus, the government should encourage individuals to save in advance for recurrent education as they would for retirement. This financing approach maximizes individual responsibility and choice and establishes an assured financing source which could eventually provide comprehensive coverage for workers.

Potential models for the worker savings approach can be seen in the suggestions for the provision of training and transition assistance to dislocated workers in the U.S. Proposed by Pat Choate in Retooling the American Workforce (1982), the Individual Training Account (ITA) is probably the most well-known proposal using the worker savings approach. The ITA is analogous to the savings- and equity-based system established by the Individual Retirement Account (IRA)

legislation and the voucher-based system of the G.I. Bill (Carey, 1985). Under the ITA, business and worker would make matching contributions into an individual account managed by a government (or private) agency. Businesses and workers would make annual contributions into ITAs until they reached, say, $4,000. If the worker were to leave voluntarily, the business contribution would be returned in full to the employer. At retirement, both businesses and workers would be entitled to withdraw their contributions, plus tax-free accumulated interest. However, if the worker were displaced, the entire account would become available, tax-free, in the form of a training voucher. The choice and location of training would be left to the worker with the government creating a process for certifying institutions to receive the ITA training vouchers. Upon reemployment, the worker and the new employer would again begin contributing into the account until the account reached $4,000.

A number of variations on the worker savings approach have been proposed. One involves modification of existing regulations that define Individual Retirement Accounts (IRA). This proposal would permit workers to establish special training IRAs which would have all of the provisions of IRAs including deferred payment on accumulated interest. Training IRAs would be held in existing financial institutions under government regulations.

Another version would allow business and worker contributions to be paid into a pooled insurance fund (Prairie State 2000 Authority, 1984). Part of the contribution would be set aside for the insurance coverage with the balance building up equity over time for worker training. A third variation allows parents to establish educational accounts for their children in state trust funds which could then be taken over by youth once they reach college age. Youth could then assume responsibility for these educational accounts as IRA-type accounts and continue

contributions and withdrawals over their working lives.

Although the worker savings approach has a number of advantages, critics have pointed to the target efficiency problems of the ITA model and the general limitations of voucher systems. According to critics, people who most need further education and training will be the least likely to establish ITAs individually or with their employers and will face serious problems in using ITAs wisely in the open marketplace. The people most likely to take advantage of ITAs are those already inclined to seek adult education and training on their own initiative, that is, those with the highest education in high-wage professional and managerial positions (OTA, 1986; Levitan and Gallo, 1986). Evidence for this point comes from data on the distribution of IRAs in the U.S. As of 1983, almost 79 percent of all money invested in IRAs was concentrated among individuals with more than $25,000 in adjusted gross income. Only 7.7 percent of IRA funds were held by people with incomes below $15,000 (U.S. Department of Treasury, 1984-1985).

Attempts to implement an ITA-based program for worker upgrading and retraining while they are still employed by a company have also identified a number of problems in getting business support and participation. In 1983, the Prairie State 2000 Authority, State of Illinois, attempted to implement an innovative state program that would create a permanent business and worker- financed system for both employee upgrading and training, as well as the retraining of displaced workers. The program was to operate largely on business financing of education and training benefits for their workers with employed workers required to match business contributions when using the benefits. Illinois businesses showed little interest in the program and raised a number of questions with this approach to recurrent education and training for employed workers. An assessment of the program concluded that employers were not interested in financing an education and

upgrading program for their employees unless it was operated under company control. Most business managers felt that such a program would duplicate existing tuition assistance programs and be very unresponsive to company training needs. The managers preferred customized training grants and more generalized training tax incentives where they could target education and training programs in ways that would best benefit their company. (Sheets, 1985)

Manipulation of Employee Benefit Programs. Another approach to assure financing for recurrent education and training is to influence existing employee benefit programs. Benefit planners are now well aware of the fact that, for the first time in history, there are more people aged 65 and over than teenagers. The teenage population will shrink to about 21 million by 1990, while the older population will exceed 31 million by the last decade of the twentieth century. Benefit planners have not focused on the implications of these trends for recurrent education and investments in training.

The aging of the baby-boom generation means that young people entering the labor force after 1990 will face reduced competition for jobs. Given labor scarcity, benefits likely will serve as the carrot to attract and keep young people in jobs along with the traditional appeal of higher wages.

Groups most affected by today's high youth unemployment rates, such as minorities and low-income family members, will increase over the next decade. The Hispanic population, for example, is growing rapidly, increasing 60 percent over the last 10 years. Benefits planners, especially those in the retail trades and those who are dependent on a young urban labor force, may be forced to respond by exploring through careful evaluation new benefits to attract and keep these part-time, young entry-level workers.

In fact, with a million part-time workers in the United States of all ages who

want full-time jobs and benefits, and with part-time workers composing 20 percent of all workers, benefits for part-timers in all sectors will become a major issue in the next decade.

The current situation (1987) in Massachusetts may foreshadow new benefits structures for entry-level workers. The job boom in Massachusetts has produced the lowest unemployment rates of all industrial states in the nation and the lowest in Massachusetts in 14 years. Employers of young workers find themselves busing part-time young workers to their fast-food emporiums, hotels, and retail stores from as far away as 60 miles.

Employers are now looking at their benefits packages as a means to retain such workers and to add stability to their work force. For example, instead of awarding a limited number of college scholarships for children of long-term employees, some firms might opt to test programs that provide tuition support for the children of all parent employees, to be used either for training programs or college. Another possibility is to target the assistance to part-time young workers who stay on the job and attend training or college. Instead of full health coverage for young workers already covered by their families' policies, some firms might test flexible benefits with training options for young workers. Some firms are discovering that their entry-level workers are functionally illiterate and are in need of corporate-provided or corporate-supported basic skills remediation and training. Experiments will be needed to test how these benefits and social protections really operate and whether they help attract workers and stabilize the most dysfunctional levels of worker turnover.

An interesting example of utilizing new benefits for young workers is the Burger King CEAP program. Burger King (Pillsbury Corporation) employs over 200,000 young people in their restaurants. In 1985 they launched the Crew

Educational Assistance Program (CEAP). Hourly employees were given an opportunity to earn bonus credits up to $2000 which could be applied to educational expenses for full- or part-time study at a licensed vocational training program, technical college or accredited college or university. To be eligible, crew members must complete three months of continuous service, averaging at least 15 hours per week. If enrolled in school, they must maintain at least a "C" grade average or its equivalent. This initiative has provided new access to post-secondary training to youth, many of whom would end their education at high school. In the first six months, 10 percent of eligible worked signed up for CEAP. The cumulative turnover rate, normally 275 percent, declined to 75 percent for CEAP participants. (Burger King Corporation, 1987). CEAP workers were investing in their futures -- in accounting, hairdressing, nursing, biology business administration, engineering etc. This reform is an example of how benefit structures can encourage education and training.

Public Financing Options

Public approaches vary in scale and level of government. Some large-scale programs, like national service, would require federal financing and leadership. Others, such as "enrollment-based" subsidies to existing educational institutions, can be built using current state-administered structures, but with possible incentives or subsidies from the federal level.

National Service Approach. The national service approach to financing a recurrent education system is based on the idea of workers "earning" education and training benefits through one to two years of national service. Individuals would earn these benefits by working for special government projects or non-profit and government agencies at, or below, minimum wage. While holding national service

jobs, workers would be provided with basic and remedial education (if necessary), work experience, and on-the-job training in occupation areas that provide career tracks into the private sector. Upon leaving national service, workers would carry with them an education and training voucher which they could use at any time during their working lives. This voucher could be converted into a cash payment for the remaining balance when the worker retires. The purpose of this approach is to provide a more structured school-to-work transition opportunity for youth, especially disadvantaged youth, and to provide employment and work experience opportunities for both youth and adults in depressed labor markets with few good jobs.

Most national service proposals begin by reciting the success of the G.I. Bill's provision of educational and training opportunities to veterans. Over the last three decades, the G.I. Bill had a major impact on the education and training of the male workforce, providing support to more than 14 million veterans at a cost of over $40 billion (O'Neill and Ross, 1976). G.I. Bill training was a basic entitlement "earned" by all veterans meeting minimal national service and discharge requirements. It covered a wide range of activities, including classroom education and training in colleges and vocational schools, on-the-job training, and even correspondence instruction. The only requirement was that training must have a clear vocational objective which is approved through a veteran claims office. The current Veterans Education Assistance Program (VEAP) provides benefits ranging from $100-$400 per month. The benefits go directly to the veteran after the approval of a training program. Since they cover both direct educational and training costs as well as living expenses, the veteran has the freedom to allocate the monthly benefit between the two and thus has a strong incentive to secure the least expensive institutional training.

Anthony Carnevale (1985) recently proposed a voluntary national youth service corps to provide needed services to poor communities, to assist in the school-to-work transition of poor youth and to help them finance their future education and training. This national service model is based on the G.I. Bill concept. Youth would be assigned to special youth service programs (e.g., VISTA, Peace Corps, National Health Service Corps, National Teachers Corps) based on their skills and vocational interests. During their 1-2 years of national service, they would receive monthly living stipends for either residential or non-residential programs. As an incentive for participation, youth would obtain $3,000 in education and training vouchers for each year of national service up to two years. Youth could use these vouchers under the same rules and restrictions pertaining to vouchers provided under the G.I. Bill. Because of the large costs and the absence of a program infrastructure in most communities, Carnevale proposes that an incremental approach be taken with 100,000 national service slots built up over four years with one-third of the slots going to residential programs and the other two-thirds going to non-residential programs. He proposes that 40,000 slots be created by restoring funding for VISTA, Peace Corps, University Year of Action, National Health Service Corps and National Teachers Corps. The remaining slots would be generated in other projects and programs throughout the nation. Carnevale estimates the cost of a national service corps would not exceed $2 billion annually at its full implementation.

Critics of the national service approach point to the difficulties in applying the G.I. Bill experience to disadvantaged workers and the cost and effectiveness problems of all public service jobs programs. However, the most recent evaluation of the G.I. Bill training benefits program argued that the G.I. Bill was successful in serving the education and training needs of veterans who closely matched the

characteristics of participants in the Comprehensive Employment and Training Act and earlier employment and training programs for the disadvantaged (O'Neill, 1977; O'Neill and Ross, 1976). The evaluators attributed some of that success to the benefit structure of the program and the voucher delivery system that is used. Critics have argued that the two client groups are not sufficiently comparable and that there is no reason to assume that education and training vouchers will be an effective mechanism for providing services to poor clients (Freedman, 1978; BSSR, 1981).

Despite this debate, most objections to a national service approach reflect the widespread sentiment that a national service corps would become mired in the same cost and administrative problems of other public service jobs programs, including CETA, Public Service Employment and summer youth jobs programs. (See, for example, Danzig and Szanton, 1984). Critics of public service programs argue that these programs are extremely costly and do not provide valuable work experience and training for the disadvantaged. They argue that these programs help reinforce participants' illusions and unrealistic expectations about the world of work that lead to problems once they enter the private sector (GAO, 1979; Bovard, 1986). Proponents reply that the overall experience of public service employment with youth has been positive. Problems have arisen because of unclear program objectives and a very uncertain and volatile funding environment. If national service programs were given the clear purpose of providing needed public services and financing future education for youth, these programs could be operated in a cost-efficient and effective manner.

Individual Entitlement Approach. The individual entitlement approach refers to the provision of a guaranteed amount of government funds in the form of grants or subsidized loans available to all individuals to obtain further education and training

after they have completed their compulsory educational period (Levin, 1983). This approach is designed to move post-compulsory educational subsidies paid by government from institutions to individuals. The purposes of this approach are to:

- o improve access of poor and disadvantaged individuals to post-secondary education and training;
- o increase the flexibility and integration of education, training and work across the working life, and;
- o increase the efficiency of educational institutions and other labor market intermediaries by introducing stronger consumer interests, power, and competitive market forces into the education and training community.

The simplest model for the individual entitlement approach is a program proposed by Lester Thurow (1985) which would provide every American with a $12,000 line of credit from the government (federal and state) to spend on post-compulsory education and training. Thurow argues that such an entitlement system would encourage continual human capital investment over the working life and better balance public subsidies between college and non-college bound youth.

Using an entitlement, individuals could tailor and schedule training to meet their specific needs. Young people who went directly into jobs could delay using their training credits until they faced displacement, wanted to enhance their skills in their existing occupations, or wished to shift occupations. Thus, the credits would permit wide flexibility in when they could be used. Allowing individuals to choose the type of training they wanted would encourage competition among providers and would permit workers to utilize either public, private nonprofit, or private for-profit training institutions. To assure that individuals received accurate information about providers, the federal government might mandate public reporting requirements for all institutions receiving money from these training credits.

Some entitlement models would guarantee a combination of grants and loans based on family income. These models would redirect a greater share of

government funds to the lowest income groups (Levin, 1983; Vaughan, 1983, 1984). Individuals from the poorest families would be eligible for government grants between $15,000-$18,000 to cover both the direct costs of education, as well as living expenses. Individuals in middle-income groups would be eligible for only $10,000 to $15,000 in direct government grants. However, they would be eligible for additional educational loans to be repaid on an income-contingent basis. Individuals from upper-income households would be eligible for only income-contingent loans.

Critics of entitlement proposals worry most about the costs of entitlement approaches and the possible damage to educational institutions if the funding environment is redirected to individuals. Providing an average $12,000 subsidy to every American for post-compulsory education would be a large burden for federal and state governments at a time of high budget deficits. In addition, any diversion of funds away from colleges and universities at this critical time would seriously undermine the long-term development of these institutions. Finally, there is concern that individuals with the greatest need would be least able to effectively use educational benefits and vouchers in a free market environment.

Enrollment Subsidy Approach. This approach would provide state grants to community colleges, local universities, and other approved training institutions based on their Average Daily Attendance (ADA) or Average Daily Enrollment (ADE). It would restrict funds to accredited educational institutions but would spur providers to offer the courses and programs that are responsive to the demands of individuals.

Some public secondary and post-secondary schools are already funded partly on ADA or ADE. Expanding this mechanism to help other institutions may be appropriate. Many community and junior college systems are feeling the impact of declining birthrates in diminished enrollments and greater competition from other training and education institutions. Some have been moving toward new clients and

exploring ways to use the enrollment mechanism to fund new programs. Many are funding special programs for disadvantaged youth and unemployed workers through some version of the ADE reimbursement mechanism, but they are doing it through careful management of information and, in effect, through subversion.

Under one application, community colleges and other state-funded institutions could broaden their missions to permit the establishment of special recurrent education programs financed by the ADA funding mechanism. Given tax limitation statutes and other realities of state funding in most states, this policy will require additional appropriations and waivers of certain limitations (for example, California has "capped" enrollment in certain institutions to control expenditures; this would have to be waived). Federal subsidies or incentives ought to be considered to encourage and support such policies.

Secondly, the ADA mechanism could permit state funding of a variety of organizations and programs broader than post-secondary institutions. A certification and evaluation process could be established to determine eligibility, and programs could be funded on the basis of projected, then actual, enrollment, with performance expectations built in. Such a device might create not only a funding mechanism, but also an evaluation/performance system for deliverers of training services.

Under either approach, states might want to develop eligibility criteria to limit the costs of free or discounted education and training. One possibility is to combine the idea of a $12,000 post-secondary voucher with the ability to utilize these credits as part of the ADA scheme. Institutions would receive credit for daily attendance of individuals only to the extent that they had money remaining on their $12,000 initial voucher. For each course, the state would require a deduction from the individual's initial credit.

Another approach would be to charge a minimal amount to assure that individuals signing up for the courses were taking them seriously. Finally, the state might require that many of the courses funded through the ADA schemes be developed in cooperation with employers or groups of employers. With some exceptions, those courses for which employers or employer groups were willing to cooperate and to provide partial financing would qualify for state ADA financing. This provision would limit costs and would assure that the courses were relevant to genuine labor market needs.

CONCLUSIONS

The idea of developing a recurrent education system for non-college youth is not new. Yet, in spite of occasional discussion of expanded post-secondary educational options, the issue has generally attracted little public attention. Now, given the emerging problems of international competitiveness and a potential decline in the middle class, policymakers and the public may attach greater importance to this gap in our education and training system.

In this paper, we argue that developing a recurrent education system is a high priority and suggest practical financing approaches to deliver education and training to non-college youth. In our view, the country's limited training for the bulk of non-college youth has made it more difficult to integrate the poorest groups of youth into the labor market. Like any investment, putting resources into recurrent education may or may not yield a large return, but inaction is likely to perpetuate the weaknesses of an important part of the work force and might allow a further erosion of the middle class. It is time to recognize the social costs of our failure to provide adequate training for a broad segment of the nation's future labor force.

Good intentions will not be enough to resolve this situation. Building components of a new system will require serious and sustained collaboration between state and local governments, educators, and employers. They will need a knowledge base that has yet to be developed. We will have to learn more about existing private sector investments in basic skill training and occupational training for non-college youth. We will need to learn about employee benefit systems and how they might be manipulated to improve the long-term job prospects and productivity of young workers. There may be a tradeoff between traditional health and pension benefits and funds for basic education and retraining. Finally, we must ask whether

broad-based schemes, such as national service, individual vouchers, and individual training accounts, will be able to raise significantly the earnings capacities of the young working poor. Widening the scope of education and training for young workers with no college education might be an important vehicle for destigmatizing some of the existing income-tested approaches to education and training.

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